

By: White

H.B. No. 127

A BILL TO BE ENTITLED

AN ACT

relating to the use of credit scoring in the underwriting and rating of certain insurance policies.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter A, Chapter 559, Insurance Code, is amended by adding Section 559.0025 to read as follows:

Sec. 559.0025. SUSPENSION OF USE OF CREDIT SCORING. (a) An insurer may not use credit scoring in the underwriting or rating of an insurance policy to which this chapter applies and that is delivered, issued for delivery, or renewed on or after January 1, 2018.

(b) This section expires January 1, 2020.

SECTION 2. (a) In this section:

(1) "Commissioner" means the commissioner of insurance.

(2) "Committee" means the Committee on Insurer Use of Credit Scoring.

(b) The commissioner shall establish the Committee on Insurer Use of Credit Scoring to develop and make recommendations on whether credit scoring should be used in the underwriting or rating of insurance and if so, how the use of credit scoring may be improved. The recommendations must also specifically address the question of whether the lack of a credit score should ever influence insurance rates.

1 (c) The committee is composed of nine members appointed by
2 the commissioner as follows:

3 (1) at least one representative of the insurance
4 industry;

5 (2) at least one representative of the Office of
6 Public Insurance Counsel;

7 (3) at least one policyholder who is not affiliated
8 with the insurance industry; and

9 (4) other members who represent one of the categories
10 listed in Subdivisions (1), (2), and (3) of this subsection.

11 (d) The commissioner shall designate one member to serve as
12 the presiding officer of the committee.

13 (e) A committee member is not entitled to compensation for
14 service on the committee but is entitled to reimbursement for
15 actual and necessary expenses incurred in performing committee
16 duties.

17 (f) The committee shall meet at least quarterly on the call
18 of the presiding officer. Committee meetings are subject to the
19 open meetings law, Chapter [551](#), Government Code.

20 (g) The Texas Department of Insurance shall provide
21 administrative support for the committee. Funding for the
22 administrative and operational expenses of the committee shall be
23 provided from the department's existing budget.

24 (h) The committee's development of recommendations under
25 this section must be based on a study of the effects of the use of
26 credit scoring in the underwriting and rating of insurance. The
27 study must, at a minimum, address and include findings regarding:

1 (1) the effect of credit scoring on:

2 (A) the elderly;

3 (B) young people; and

4 (C) people with little or no credit history,
5 including wealthy people;

6 (2) the range of effects that credit scoring has on
7 insurance rates; and

8 (3) the rate of errors in computing credit scores.

9 (i) The committee shall prepare a written report of the
10 committee's findings and recommendations under this section. The
11 committee shall deliver the report to the governor, the lieutenant
12 governor, and all members of the legislature not later than
13 December 1, 2018.

14 (j) The committee is abolished and this section expires June
15 1, 2019.

16 SECTION 3. This Act takes effect September 1, 2017.